# EC sees breakthrough in farm deal

BRUSSELS, May 22: The European Community reached agreement here Thursday on major reforms to its controversial farm subsidy policies after Italy dropped last-minute objections based on a row over milk quotas, reports AFP.

Diplomats said EC farm ministers, after four days of non-stop bargaining, had agreed to slash farm subsidies which have been blamed for holding up world trade reforms.

They said Italy had been isolated in its bid to win an extra one million tons in milk production quotas for its dairy EC farmers. Commissioner Ray Macsharry said Rome's problems would be dealt with later

The milk quota row, which had held up agreement for 24 hours, was typical of the jostling over national interests that has characterised 18 months of tortuous debate over the farm reforms.

The final agreement boils down to deep cuts in the support prices which the EC guarantees to its nine million

Essentially, the farmers will be paid the difference between what they would receive for their crops in future and the subsidy-swollen prices ruling until now, on condition that they let 15 per cent of their land lie idle.

It is a critical change. The farmers will have most of their incomes guaranteed, on condition that they produce less. No longer will they be paid to

Privatisation of

Kuwait's public

sector under

study

privatisation objectives and

policies, study analysis and

rank the activities to be priva-

tised and the impact of privati

sation on the economic and fi-

nancial efficiency of the econ

Pak workers

demonstrate

against rising

cost of living

Workers from several private

and state-owned concerns

stage separate demonstrations

against the rising cost of living

for the third day running here

Friday witnesses said, reports

higher wages to offset the ef

fect of increasing prices of

in which hundreds partici-

Railway Workers Union.

pated, was organised by the

posed a number of new taxes

in the national budget for fiscal

1992 93, which is to take ef-

fect from July after endorse-

ment by the National Assembly

cially stated to be around nine

The rate of inflation is offi-

The government has pro-

consumer goods in Pakistan.

They were demanding

The largest demonstration,

LAHORE, (Pakistan) May 22:

produce surplus food which nobody wants.

Latest estimates put the mountains of surplus food at around 20 million tons of grain (10 per cent of production), 800,000 tons of beef, 400,000 tons of milk powder and 400,000 tons of butter.

The surpluses have been held largely responsible for blocking world talks aimed at bringing agriculture and other sectors under the General Agreement on Tariffs and Trade (GATT), which removes barriers to world trade.

The EC's Common Agricultural Policy (CAP) was formed 30 years ago to ensure western Europe's food supply through subsidies to farmers. Memories of shortages caused by the World War Two were

The plan worked too well. By this year the EC was spending 44 billion dollar a year on the farm subsidies - over half its budget.

it was paying for huge sur pluses of grain, beef and milk which had to be dumped on world markets. The result was a vicious subsidy war with the United States to find markets.

Farmers from the Third World and other countries could not match the subsidised prices and were shut out of competition for world mar-

Furthermore, EC consumers pay more for their food because the subsidies are built into domestic prices. And farmers spurred on to overproduce have been using excessive quantities of ecologically-harmful fertilisers.

Meanwhile, EC countries such as France have been faced with the huge political task of eating into the livelihood of their farmers and changing the entire traditional pattern of the countryside.

The compromise which has now been thrashed out will keep farmers on the land, at least for the time being.

It will go a long way towards eliminating EC over-production, thus removing the main obstacle holding up the Uruguay Round of GATT talks and opening up the prospect of freer international trade.

The EC ministers agreed that farm support prices for grain will be cut by 29 per cent over three years, bringing the price down from about 194 dollar a ton to 137 dollarclose to world free market prices.

British Agriculture Minister John Gummer said this was a signal to the United States that it was now Washington's turn to make concessions in the GATT negotiations in order to bring them to a successful conclusion.

The community has accused the United States of blocking access to its markets in a wide field, but particularly in such service areas as telecommunications, shipping and banking.

Reuter adds : European Community energy ministers gave plans for an environmental tax on energy use a generally favourable response, EC of-

"They were largely favourable," one official said after the energy ministers had their first discussion on the proposal, rising in dollar instalments to 10 dollar by the year 2000.

EC environment ministers will react to the proposals, which will form the EC's contribution to the earth summit in Rio, next Tuesday. Officials said only Luxembourg and Spain expressed serious objec-

tions to the tax proposals. Luxembourg said the tax should not be conditional on Washington, Tokyo and other members of the 24-nation OECD taking similar measures.

The others backed the decision because of a wish to avoid hindering the competitiveness of EC business on the world stage.

Environmentalists fear this decision will delay the tax by vears as President George Bush, seeking reelection in November, has repeatedly refused to envisage hiking cheap U.S. energy prices through higher taxation.

Spain feared the tax would hit moves to promote use of the EC's own energy resources such as coal.

The tax is supposed to deliver just over half the 12 per cent cut in Carbon Dioxide (CO2) output needed for the community to make good its commitment to bring growing emissions back to 1990 levels by the end of the decade. Tokyo rules out

immediate concessions Meanwhile AP from Tokyo adds: Officials on Friday ruled out any immediate concessions on Tokyo's ban on rice imports, despite a decision by the European Community to cut farm subsidies.

Japan has so far exploited the US-EC clash on agriculture to postpone its own decision on its ban on rice imports, which it argues is justified by a need to maintain self-sufficiency in a staple food.

The EC accord, however, put Japan on the defensive.

\*Overall negotiations may now suddenly move forward. If that happens, Japan would be left on its own," the Tokyo Shimbun newspaper said.

"Japan has been hoping that the talks between the United States and EC won't progress smoothly. If they do, Japan is going to stand out too much," said Jiro linuma, Kyoto University Professor Emeritus in Agricultural Economics.

Agriculture Ministry official Fumito Mizuma, however, downplayed the EC decision's significance, noting that the EC and United States still haven't reached an agreement and that President Bush may have problems convincing Congress farm subsidies should be cut in an American election

It also is an election year in Japan. Politicians of the ruling Liberal Democratic Party depend heavily on rural support and are expected to resist changes that would threaten farmers before nationwide parliamentary elections scheduled for late July.

## Saudis signal soften stance

# OPEC may reach accord today

KUWAIT, May 22: A Gulf in-VIENNA, May 22 : OPEC oil vestment company said it signed an agreement with the Kuwaiti government to study the feasibility of privatising most of the emirate's public sector, reports Reuter. The Gulf Investment

Corporation (GIC) said in a Prices on the New York statement it signed "a memo Futures market jumped 50 randum of understanding to act as an advisor to the government of Kuwait for studying the feasibility of privatising most government public sector the making. It said it would "identify the

Exporting Countries broke off their semi-annual policy-making session on Thursday hinting they were close to an agreement on how much oil to pump in the third quarter of

Asked if OPEC had reached a deal, Algerian Oil Minister Nordine Ait Laoussine told re-

Salem al-Badri said.

But a senior OPEC delegate

yond Friday," he said. "Reaching an agreement is not as easy as some people are say-

ground for optimism was Saudi Arabia's apparent willingness to keep its pumps running steadily at around eight million barrels per day (BPD) if other members froze output at current levels as well.

Only Kuwait, whose production is rising after the damage caused to its oil fields by the Gulf War, would be allowed to boost output, they said.

consensus among ministers that Kuwait's share should be increased by around 300,000 BPD to little over 1.1 million in

the third quarter. The Saudi position reprekingdom's negotiating stance.

Meanwhile a report from New York says: US oil prices rallied sharply on the New York Mercantile Exchange (NYMEX) after Saudi Arabia surprised the market by appearing to back down on its plan push for a one million Barrel Per Day (BPD) rise in OPEC's output.

Saudis would be pounding on the table. Instead they appeared willing to compromise," said one commission house broker.

strongly on news that Saudi Arabia's OPEC delegate, Favez Ibrahim Bader, said he did not yet know whether an output The market was also a buzz

that was later denied - that Saudi Arabia's King Fahd was "It was a crazy day. There

with Pegasus Econometric Inc.

Saudi Arabia's delegate Hisham Nazer decision not to attend the talks because of exhaus-

because Nazer didn't show up, and some then thought he didn't appear because Fahd was sick," said Jerry Samuels, a broker at ARB Oil Inc. Prices had fallen recently

"The market was spooked

BPD increase. Thursday, it seemed, things

OPEC's second quarter ceiling is 22:982 million BPD. Late Thursday, a senior delegate said OPEC was discussing rolling over that ceiling with

"According to the proposal, Saudi Arabia would be given 8.0 million BPD and Kuwait some 300,000 BPD on top of its (February) allowable 81,200 BPD," the delegate said.

insisted on a quota no less than 8.0 million BPD. Industry sources pegged Saudi output at weeks in May.

Saudi Arabia made no com-

ministers, unable so far to reach an accord on crude output, said they were closing in on a deal with a major impact on what consumers pay at the petrol pump later this year. reports Reuter.

cent a barrel to 20.90 dollar as dealers, watching OPEC kingpin Saudi Arabia flash signals of compromise, scented a pact in Ministers from the Organisation of Petroleum

the year.

porters: "Very close."

"There is some progress at this stage... I hope tomorrow (Saturday) we will finish," Libyan Oil Minister Abdullah said a deal was not imminent. "It could possibly run be-

Delegates said ministers'

Delegates said there was a

sents a dramatic shift in the

"A lot of people thought the

The market opened

increase was justified. with rumours, especially one

was a lot of news to decipher and rumours flying around," said Tom Blakeslee, analyst

Some linked the rumours to

on views that Saudi Arabia would insist on the 1.0 million

had changed.

minor modifications.

Saudi Arabia's current quota is 7.887 million BPD but has

8.3 million BPD the first two

ment after the meeting.

# Russia plans to lower taxes

MOSCOW, May 22: The Russian government plans to lower taxes by the end of this vear as it shifts the focus of its policies from financial stabilisation to boosting production, a senior government official said, reports Reuter.

There is a general understanding in the government that taxes - primarily the 28 per cent value added tax must be decreased in the last quarter of this year," government Economic Advisor Alexei Ulyukayev told a news confer-

Hopes that the rouble could

were probably over-optimistic,

"I can confirm that the government plans to float the rouble by July, but I think we will need more time - perhaps several months- to come to a fixed rate, Ulyukayev said.

Government official Konstantin Kagalovsky said earlier this month the government hoped to fix the rouble against the dollar from August l, one month after allowing the currency to float.

The rouble, which is not yet freely traded on world markets, has firmed since the an-

It rose to 123 rouble per dollar at a regular central bank currency trading session today from 126.6 rouble per dollar earlier this week and about 143 per dollar at the end of

Ulyukayev said the government was also likely to delay plans to ban trade in foreign currency from July. "I do not believe we could really impose a ban on foreign currency circulation in Russia in July. We are not ready for the move," he Ulyukayev said gradual tax

cuts and moves to encourage

oriented savings were the main points in a new medium term government economic programme.

The plan aims to boost economic production, which fell more than 13 per cent in the first quarter of 1992 as the government tightened monetary policy to try to balance the budget. He said a huge shortage of cash was causing prob-

Russian banks needed 70 billion rouble to pay salaries Ulyukayev said the Russian central bank planned to increase cash emission to 128 billion rouble a month.

#### OECD plans to cut budget deficit

PARIS, May 22: Ministers of the organisation for Economic Cooperation and Development (OECD) pledged to conduct monetary policy with vigilance and prudence, but also stressed the need to create the conditions for lower interest rates, reports Reuter.

In a communique released after their two-day annual meeting, the ministers emphasised the need for sound public finances and expressed concern that budget deficits had been allowed to slip. "The major task facing

OECD governments, in order to reinforce confidence among consumers and investors, is to improve the prospects for sustained non-inflationary growth, building on positive forces that are already at work," it said

The OECD said the reduction of inflationary pressures in its 24 member states over the past year was a welcome development. But because this progress had to be reinforced, a sound monetary policy, conducted with vigilance and prudence, was critical.

Ministers pledged to cut budget deficits and reduce public debt either by setting more stringent deficit targets or sticking more rigorously to the targets already in place.

#### US Senate okays emergency act to aid cities

WASHINGTON, May 22: The Senate Thursday approved emergency legislation to aid US cities by creating jobs and improving education, and to provide funds to help riot-torn Los Angeles with its recovery, reports AFP.

Critics of the bill, adopted in a 61 to 36 vote, have instated it would end up spending 1.45 billion dollar more than the House of Representatives has authorised and President George Bush is seeking.

The bill began as an emergency aid measure to channel funds into government agencies and allow for 822 million dollar in loans and grants to businesses levelled by rioting in Los Angeles.

#### Dollar moves lower against yen TOKYO, May 22: Share

prices on the Tokyo Stock Exchange weakened moderately Friday morning, while the US dollar moved lower against the yen from its opening, reports AP. The 225-issue Nikkei Stock

Average fell 194.10 points, or 1.03 per cent, closing the morning session at 18,497.19. On Thursday, the average gained 16.36 points, or 0.09 per cent. The Tokyo Stock Price Index of all issues listed on the

first section, which lost 3.19 points, or 0.23 per cent, the previous day, shed another 10.09 points, or 0.72 per cent. At late morning, the dollar was changing hands at 129.75

than its opening at 130.13 yen. In New York, it finished overnight at 130.35 yen. HPHII: 05 a m (0205 GMT), the benchmark No 129 10-year Japanese government bonds stood at 104.96 points, unchanged from Thursday's

close. Their yield remained

unchanged at 5.490 per cent.

yen, up 0.14 yen from

Thursday's close but lower

Stock traders said trading remained slow as many investors retreated to the sidelines to assess earnings reports. This month, many Japanese companies are releasing their earnings for fiscal 1991, which ended March 31.

# Black accounts twice as much as white

WASHINGTON, May 22: Racism and poor education are the two major impediments to upward income and job mobility for blacks and other minorities in the United States. according to one of the leading experts on US employment, reports USIS.

When racism and poor education are combined with the lack of jobs in black communities, it should be no surprise that the black unemployment rate has remained at twice the white unemployment rate over the last 20 years, Sar Levitan, Director of the Center for Social Policy Studies at the George Washington University. told in an interview. Levitan, who has studied

employment issues for more than 30 years, also chaired a presidential commission on employment and unemployment statistics during the 1970s. Levitan sees four key rea

sons for failure to narrow employment and income gaps between US minorities and whites over the last 20 years. "First is lesser educational

attainment as well as achieve

ment of blacks," Levitan said

tion provided minorities in poorer communities falls below that provided for whites in wealthier areas. And employers are less likely to provide on-the-job training to those employees with lower education or poorer

educational achievement, he

"Second, there still persists a

great deal of discrimination,

which is well proven. Third is

the type of jobs that are available now do not necessarily co-

incide with the training that

poorly educated and deff

ciently skilled (minority work-

ers) have and fourth, very fre-

quently blacks are isolated in

communities where there are

few jobs and transportation fa-

cilities are not available or too

costly to go to the suburbs

He said the quality of educa-

where the jobs are."

Levitan said minorities have made considerable progress in the last 30 years in entering into professional jobs, but the number are still so low that they have little effect on overall employment averages.

# Sabah okays plan to buy \$20b bad debt

KUWAIT, May 22: Kuwait's Emir has made into law a plan to buy about 20 billion dollar bad debts from troubled commercial banks, which critics say will lead to a bail-out of influential debtors, reports Reuter.

The decree by the Emir Sheikh Jaber Al-Ahmed Al-Sabah approving the plan was published in the official gazette on Wednesday. The plan, which would let

banks dispose of debts at full value by issuing bonds with a maximum 20- year maturity. Bankers said the managers of Kuwait's eight banks on

Wednesday discussed how to implement the plan with the governor of the Central Bank Sheikh Salem Abdul-Aziz Saud Al-Sabah. The plan was originally drafted by the government in

approved by the partiallyelected national council which introduced a few changes. Economists say the most

crucial issue approved by the

December and in March was

council was that debtors, including some of Kuwait's most influential people, had reveal details of their finances. Some say the government

was using debts resulting from

lraq's seven- month occupation of Kuwait as an excuse to bail out top people from preinvasion debts. They also say the plan to issue bonds to cover the debts

puts too much strain on

Kuwait's heavily burdened

Kuwait already has three billion kd (11 billion dollar worth of outstanding treasury

bills and bonds. The Economists say. The emirate signed a 5.5 billion dollar credit with international banks in December to cope with post-gulf war costs. Its budget deficit hit a

Controversy over the plan stems from the large sums involved and the lumping together of debts incure before and after lrag's invasion.

record 18.3 billion in fiscal

## Bank lending rises in Britain

LONDON, May 22: Bank lending surged by 5.1 billion pound (9.3 billion dollar) in April, the Bank of England said Thursday, suggesting an upturn in business confidence as a result of the Conservative Party's election victory on April 9, reports AFP.

A treasury spokesman said the April figure showed the strongest monthly rise in M5 bank lending since February 1991, which "may in part reflect some post-election pickup in confidence".

The seasonally adjusted figure was well above analysts' expectations of a 1.5 billion pound (2.7 billion dollar) rise, and compared with a revised fall in March of 400 million pound (729 million dollar). Analysts had attributed the March fall to political uncertainty ahead of the election. At the same time, the

British Bankers Association (BBA)'s latest monthly figures showed bank lending to the private sector in April rose by a seasonally adjusted 2.6 billion pound (4.7 billion dollar), the largest monthly increase in 12 months. BBA secretary General

Frederick Inchyra said: "There

was a noticeable increase in

lending for house purchase,

which was twice as much as

year." Loans for house purchase rose 402 million pounds, lower than the March rise of 594 million pounds but higher year-on-year. A spokeswoman for the BBA said the increase in lending

could be a result of a "slight upturn in the economy." She added: "Instead of trying to pay off debts, people feel the recession may be coming to an end, and are feeling it's worth borrowing more to in-

Meanwhile, credit card company Barclaycard's latest survey on consumer confidence, for the first quarter of 1992, showed mixed results.

McManus Barclaycard's Commercial Director, said the results reflected "a stabilisation of more positive trends rather than a strong recovery from recession". He added: "While it is clear that the general election has removed one damper on the recovery, consumers are still rather cautious about the future."

Only 12 per cent of those surveyed said the election outcome had made them more likely to go ahead with major purchases, such as moving house, buying furniture or booking a holiday.

### the small rise in April last Business briefs

US legislators belong to top 1 pc: The US Congress, target of public anger over perks, pay and privileges, has turned into the industrialised world's most costly legislature although its salaries no longer top democracy's international pay chart, reports Reuter from

Washington. At 129,500 dollar a year, US Representatives and Senators belong to the wealthiest one per cent of the population but they make considerably less than Japanese parliamentarians.

Salary figures for the Group of Seven richest nations provided by their national parliaments put Japan in the lead with US dollar 157,000 a year, followed by the United States, Italy (US dollar 54,680) and Canada (US dollar 54,118).

West doing too little for ex-Soviets: The

glow of victory in the Cold War is giving way to concern among Western nations that they are doing too little to ease the old Soviet bloc's jump to capitalism, reports Reuter from The collapse of communism in Eastern Europe and what was the Soviet Union has been welcomed by the Organisation

for Economic Cooperation and Development (OECD), a Paris-

based think tank of 24 rich industrial democracies. These countries are paying tribute to our values and principles that underlie the management of our economies,"

Canadian Trade Minister Michael Wilson told the OECD's annual meeting on Tuesday.

#### per cent, but private estimates investment and investmentnouncement. place it much higher. be made convertible by August Rich-poor gaps have grown at an alarming rate

Over the last thirty years, the gap between rich nations and poor ones has grown at an alarming rate, according to the Human Development Report 1992, published for the United Nations Development Programme The report, third in an annual series, has

been prepared by an independent team of distinguished economists under the guidance of Dr Mahbub ul Haq, former Finance Minister of Pakistan and now Special Adviser to the UNDP Administrator, says a UNDP source. In 1960, the 20 per cent of the world's population that lived in nations with the high-

est per capita incomes were 30 times better

off than the bottom 20 per cent. By 1989 that

disparity had almost doubled so that they were

nearly 60 times richer, according to the re-But this calculation was made on national averages. Wide discrepancies exist within many countries. Comparing the one billion richest individuals in the world with the one billion poorest, that ratio would leap to at least 150 to

The report holds the developing countries primarily responsible for their own lack of development. But it says that outside help has not been very effective either.

Several decades of development assistance have not narrowed the gap. Partially, this is because aid has not been adequately directed to the poorest of the poor nor to basic human development concerns. South Asia, which is home to nearly half of the world's poorest

people, receives \$5 per person in aid. Aid-receiving countries of the Middle East get \$55 per person even though per capita incomes there are three times higher, according to the report.

Another reason: Developing countries are

giving back more than they are getting. Prices

for the commodities and raw materials they

supply to the industrialized world have

plunged. Debt service obligations resulted in

net transfers from indebted developing coun-

tries totalling \$242 billion in the 1983-89 pe-

accommodate the rich, well-educated and

skilled from developing countries, exacerbat-

Tariff and nontariff trade barriers imposed by

industrialized countries cost developing coun-

tries about \$40 billion a year in lost export

revenues. Immigration laws block the flow of

the unemployed or underemployed labourers

to industrialized countries where job opportu-

nities could significantly increase the current

\$25 billion a year in worker remittances, the

All told, developing countries are being de-

Industrialized nations' immigration policies

Coupled with this are opportunities denied.

riod, according to the report.

ing the brain drain.

report says.

nied \$500 billion of market opportunities every year - ten times what they receive in for

eign assistance. Although developing nations have made substantial strides in basic education and life expectancy, they still lag significantly behind in higher learning and technology. While 37 per cent of the population in the North receives university or similar training, only eight per

Developing countries are giving back more than they are getting. Prices for the commodities and raw materials they supply to the industrialised world have plunged. Debt service obligations resulted in net transfers from indebted developing countries totalling \$ 242 b in the 1983-89 period, according to the report.

cent do so in the South.

The growing technological gaps between North and South "are self-reinforcing", according to the report. The concentration of knowledge in the industrial countries means that further advances tend to occur there. This gives them a productivity advantage and consequently much higher returns on capital and labour. The higher profit rates in industrial countries enables them to attract yet more capital, even from developing countries. This facilitates still more investment in technology and widening of the gap."

Scientific and technical personnel number

only nine per 1,000 in the South, compared to

81 per 1,000 in the North. Although the South

has 80 per cent of the world's people, it has

only five per cent of the world's computers and

conducts only four per cent of global research.

Wide disparities exist among developing countries, too. In the 1965-80 period, China and Southeast Asia grew at an average four per cent per year, while Latin America and the Caribbean grew at a 3.8 per cent rate and the Arab States at three per cent. South Asia and Africa, however, lagged far behind at a 1.5 per In the 1980's however, the developingcountry gaps grew. East Asia and China contin-

nomic growth averaged minus 0.4 per cent and in Africa minus 1.7 per cent. For them, it was truly the "lost decade" for development. Developing countries will have to acquire greater control over the expanding 'knowledge industry", else they will languish in the backwaters of "low-value-added production", warns the report. This will require going

beyond basic human survival concerns and in-

vesting heavily in all levels of human capital

formation, particularly in technical and man-

ued strong growth and South Asia improved.

But in Latin America and the Caribbean eco-

agerial skills.
But there is an important role for industrial countries, too. Foreign aid should be increased and re-allocated, says the report (see companion feature on aid). Major write-down of debt which has multiplied 13-fold from \$100 billion in 1970 to \$1.350 billion in 1990 - is another essential ingredient. But the most important contribution," says Dr Mahbub ul Haq, the chief architect of the report, "will be to open the global markets to poor nations and poor people. They can earn their own livelihood if they are only given a fair chance."